(b) and (c) No, Sir. Central Government only fixes the borrowing limit for the State Governments as required under the Article 293(3) of the Constitution. The States are free to source their borrowings from different institutions within the borrowing ceiling fixed by the Central Government. However, in the case of NSSF, as per the present stipulations, State are required to use 80% of the funds collected within the State of NSSF to meet their borrowing requirements.

(d) No, Sir. There is no proposal to this effect at present.

(e) No, Sir. The recommendation of TFC that only share of grant may be given to States, has been made in respect of transfers of Plan Assistance to States.

Provision for oil bond in the Budget

1134. SHRI RAJKUMAR DHOOT:
SHRI RAHUL BAJAJ:

Will the Minister of FINANCE be pleased to state:

(a) what is the cost to Government of an oil bond;

(b) whether it is a major subsidy; and

(c) if so, the reasons for not being making provision for in the budget subject to Fiscal Responsibility and Budget Management (FRBM) Act?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) The cost of Government of a special security issued to Oil Marketing Companies (OMCs), also referred to as 'oil bond', consists of payment of interest at the coupon rate specified in the security, and principal payment to the holder of security on redemption.

(b) and (c) Oil bonds are issued to compensate for the under recoveries of OMCs on domestic sale of sensitive petroleum products as a measure to reduce the burden of mismatch between domestic retail prices and international oil prices, whereas the subsidy schemes in operation covering subsidy on PDS kerosene and domestic LPG are through the PDS kerosene and domestic LPG subsidy Scheme, 2002 and Freight Subsidy (For Far Flung Areas) Scheme, 2002 for which there is a Budget allocation of Rs. 2882 crore as per RE 2007-08.

It has been decided that Government's share of the burden of under recoveries would be met by issue of oil bonds. Such oil bonds are issued following normal budgetary procedure and reflected in the Annual Financial Statement (AFS) and the Demands for Grants presented to Parliament. The interest payable on oil bonds is provided for in the Budget allocations and redemption amount will be provided in the Budget in the year of redemption.

Denial of banking facilities to farmers

†1135. SHRI PYARELAL KHANDELWAL: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that deaspite all efforts made by Government the common farmers have been deprived of banking facilities for the agricultural debt;

†Original notice of the question was received in Hindi.